

**CITY OF ROCHESTER
MICHIGAN**

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ROCHESTER	County OAKLAND
Audit Date 6/30/04	Opinion Date 12/10/04	Date Accountant Report Submitted to State: 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report or comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

GUEST, OLDS AND WEST, PLC

Street Address

30600 TELEGRAPH RD. - SUITE 3165

City

BINGHAM FARMS

State

MI

ZIP

48025

Accountant Signature

Guest, Olds and West, PLC

Date

12/29/04

**CITY OF ROCHESTER
MICHIGAN
ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets.....	7
Statement of Revenue, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenue, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the Statement	
of Activities	9
Proprietary Funds:	
Statement of Net Assets.....	10
Statement of Revenue, Expenditures, and Changes in Net Assets.....	11
Statement of Cash Flows	12
Fiduciary Funds:	
Statement of Net Assets.....	14
Statement of Changes in Net Assets.....	15
Notes to Financial Statements	16
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	33
Budgetary Comparison Schedule – Major Streets Fund	35
Budgetary Comparison Schedule – Local Streets Fund.....	36

TABLE OF CONTENTS - Continued

Other Supplemental Information

Combining Balance Sheet - Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	38
Combining Balance Sheet - Nonmajor Special Revenue Funds	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	40
Combining Balance Sheet - Nonmajor Debt Service Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Debt Service Funds	42
Combining Balance Sheet - Nonmajor Capital Projects Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	44

INDEPENDENT AUDITOR'S REPORT

To the City Council
Rochester, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rochester, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rochester, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester, Michigan basic financial statements. The accompanying other supplemental information, as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BINGHAM FARMS, MICHIGAN
December 10, 2004

Guest, Olds and West, PLC
GUEST, OLDS AND WEST, PLC
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Rochester's financial performance provides an overview of the City's financial activities for the year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities on the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the police, fire, general administration, parks, public works, City Council, boards and commissions, and financial support to the Rochester Hills Public Library. Property taxes, sales taxes, fines, and state and federal grants finance most of these activities.

- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and auto parking activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Funds control and manage money for particular purposes (like the Downtown Development Authority Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the state's gas tax receipts in the Major Streets Fund and Local Streets Fund).

The City's two kinds of funds (governmental and proprietary) use different accounting approaches:

- Governmental funds: most of the City's basic services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds: when the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Tax Collection Fund, the Dental and Optical Fund, the Severance and Sick Fund, the Volunteer Firefighters Pension

System Fund and the Retiree Hospitalization Fund. All of the City's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets.

We exclude fiduciary activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the year ended June 30, 2004, net assets changed as follows:

	Governmental Activities	Business-type Activities
Beginning net assets	\$16,957,221	\$22,181,345
Increase in net assets	7,861,506	240,843
Ending net assets	\$24,818,727	\$22,422,188

This section will highlight some significant differences between the current- and prior-year assets, liabilities, and changes in net assets on the accrual basis of accounting.

	CITY OF ROCHESTER'S NET ASSETS					
	Governmental Activities		Business-type Activities		Total	
	FY 02-03	FY 03-04	FY 02-03	FY 03-04	FY 02-03	FY 03-04
Assets						
Current and other assets	\$18,516,478	\$17,816,210	\$12,753,841	\$13,104,032	\$31,270,319	\$30,920,242
Capital assets	9,882,455	16,796,557	9,951,548	9,994,004	19,834,003	26,790,561
Total assets	\$28,398,933	\$34,612,767	\$22,705,389	\$23,098,036	\$51,104,322	\$57,710,803
Liabilities						
Long-term liabilities outstanding	\$8,575,212	\$7,973,000	\$-	\$-	\$8,575,212	\$7,973,000
Other liabilities	2,866,500	1,821,040	524,044	675,848	3,390,544	2,496,888
Total liabilities	\$11,441,712	\$9,794,040	\$524,044	\$675,848	\$11,965,756	\$10,469,888
Net Assets						
Invested in capital assets, net of related debt	\$9,882,455	\$16,796,557	\$9,951,248	\$9,994,004	\$19,834,003	\$26,790,561
Restricted	1,515,588	646,157	6,304,588	11,561,149	7,820,176	12,207,306
Unrestricted	5,559,178	7,376,013	5,925,209	867,035	11,484,387	8,243,048
Total net assets	\$16,957,221	\$24,818,727	\$22,181,345	\$22,422,188	\$39,138,566	\$47,240,915

Management Discussion and Analysis, FY 03-04
December 31, 2004

The most significant difference between the FY 02-03 and FY 03-04 net assets is the Governmental Activities balance of Capital Assets, which grew by \$6,914,102. This change was due primarily to the reporting of infrastructure capital assets (i.e., roads, sidewalks, stormsewer systems not attached to road systems, etc.) for the FY 03-04 that were not fully reported in FY 02-03. FY 02-03 was the first reporting period for the new reporting standards according to GASB Statement 34, which require that the reporting of infrastructure capital assets no later than the FY 06-07. The infrastructure assets for the City of Rochester are now fully represented in the financial reports for FY 03-04.

Changes in Net Assets Due to Changes in Revenue and Expenditures

The following is a condensed comparison of revenues and expenses between the prior and current reporting periods and explanations of significant differences.

	CITY OF ROCHESTER'S CHANGES IN NET ASSETS				Total	
	Governmental Activities FY 02-03	FY 03-04	Business-type Activities FY 02-03	FY 03-04	FY 02-03	FY 03-04
Revenues						
Program revenues						
Charges for services	\$1,976,650	\$997,093	\$3,637,753	\$3,229,481	\$5,614,403	\$4,226,574
Operating grants & contributions	1,548,260	1,542,769	-	96,000	1,548,260	1,638,769
Capital grants & contributions	276,347	92,920	-	-	276,347	92,920
General revenues						
Property taxes	10,248,453	10,331,735	-	-	10,248,453	10,331,735
State shared revenues	-	-	-	-	-	-
Unrestricted investment earnings	225,493	172,492	124,052	66,498	349,545	238,990
Miscellaneous	64,422	115,698	-	56,259	64,422	171,957
Total revenues	\$14,339,625	\$13,252,707	\$3,761,805	\$3,448,238	\$18,401,430	\$16,700,945
Expenses						
General government	\$1,358,838	\$873,453	\$-	\$-	\$1,358,838	\$873,453
Public safety	2,954,455	3,197,203	-	-	2,954,455	3,197,203
Public works	1,365,798	1,338,412	-	-	1,365,798	1,338,412
Comm and econ dev	1,724,685	3,747,251	-	-	1,724,685	3,747,251
Highway and streets	1,346,371	2,190,068	-	-	1,346,371	2,190,068
Culture and recreation	1,008,534	990,222	-	-	1,008,534	990,222
Interest expense	441,964	387,962	-	-	441,964	387,962
Water and sewer	-	-	2,908,984	2,825,135	2,908,984	2,825,135
Automobile parking	-	-	159,793	26,019	159,793	26,019
Total expenses	\$10,200,645	\$12,724,571	\$3,068,777	\$2,851,154	\$10,200,645	\$15,575,725
Increase in net assets before transfers	\$4,138,980	\$6,541,512	\$693,028	\$597,084	\$4,832,008	\$7,138,596
Transfers	(\$284,144)	\$117,874	(\$46,136)	(\$356,240)	(\$330,280)	(\$238,366)
Increase in net assets	\$3,854,836	\$7,861,506	\$646,892	\$240,844	\$4,501,728	\$8,102,350
Net Assets - 6/30/03	\$16,957,221		\$22,181,345		\$39,138,566	
Net Assets - 6/30/04		\$24,818,727		\$22,422,179		47,240,915

A brief explanation of significant differences follows. The first significant difference in the Governmental Activities revenues is in Charges for services, which dropped by \$1 million. The reduction was due to the re-classification and elimination of internal service charges between funds for FY 03-04. Unrestricted investment earnings dropped due to a deteriorating interest rate market for municipal investments. Capital grants and contributions dropped due primarily to a one-time refund grant for trail expenditures in FY 02-03 of \$134,000.

Business-type revenues saw a significant change in their Charges for services revenues, which dropped by \$408,000. This was due primarily to a drop in sewer connection fees (down \$170,000), water connection fees (down \$79,000) and a one-time reimbursement for environmental stabilization by Oakland County in FY 02-03 (\$122,000).

Governmental Activities expenses changed significantly in the following cases:

- Community and economic development: this activity saw a significant increase, and the general government saw a significant decrease, primarily due to the re-classification of general capital projects expenses from General government to Community and economic development.
- Highways and streets: this activity saw a significant increase due primarily to the execution of two major bridge projects (Second Street and East University) as well as an increase of \$400,000 in road paving projects.

To aid in the understanding of the full Statement of Activities (see previous page) some additional explanation is appropriate. The format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right, resulting in a Net (Expense)/Revenue.

The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Community Development	CDBG grants
Culture and Recreation	Cemetery fees
General Government	Administrative service fees, state and federal capital grants
Highways and Streets	Right of way license fees, storm sewer permits, gas and weight taxes, state trunkline maintenance charges, county tri-party grants, special assessment collections
Public Safety	School liason program fees, building permit fees, business and pet license fees, ordinance violation fees, planning and zoning fees, state and federal grants for law enforcement, sales of confiscated assets
Public Works	Public works services fees

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

There are two "Business-type" activities: water and sewer and auto parking. The water and sewer activity is showing net revenue of \$312,180. This is almost entirely due to tap fees that are designated for the long-term replacement of the water and sewer system.

The auto parking activity shows net revenue of \$162,147. The revenue from parking meters and parking tickets (totaling over \$92,000 for FY 03-04) is augmented by payments in lieu of parking meters from the Downtown Development Authority (totaling \$34,000 for FY 03-04).

THE CITY'S FUNDS

This section will provide a summary of the basic financial statements for the city's funds, beginning with the combined governmental funds balance sheet.

Assets	FY 03-04 TOTAL	PCT OF TOTAL	CHANGE FROM 02-03	PCT CHG.
Cash and investments	\$14,750,467	87.0%	(\$1,324,568)	-9.0%
Accounts receivable - net	447,246	2.6%	183,474	43.8%
Taxes receivable - net	100,473	0.6%	4,376	4.6%
Due from other funds	272,963	5.6%	209,652	331.1%
Special assessments rec.	1,324,790	7.8%	996,881	304.0%
Prepaid expenses and other	60,690	0.4%	8,319	15.9%
Total Assets	\$16,956,629			
Liabilities	FY 03-04 TOTAL	PCT OF TOTAL	CHANGE FROM 02-03	PCT CHG.
Accounts payable	\$532,575	15.7%	(\$54,106)	-9.2%
Accrued liabilities	90,881	2.7%	(9,386)	-9.4%
Deferred revenues	1,325,408	39.0%	997,499	304.2%
Due to other funds	263,157	7.8%	256,917	4261.5%
Due to other governments	923,181	27.2%	(862,987)	-48.3%
Other liabilities	260,024	7.7%	(112,519)	-30.2%
Total Liabilities	\$3,395,226			
Fund Balance	FY 03-04 TOTAL	PCT OF TOTAL	CHANGE FROM 02-03	PCT CHG.
Reserved	\$666,157	4.9%	(\$849,431)	-56.1%
Unreserved - Gov't Funds	12,895,246	95.1%	(714,196)	-5.9%
Total Fund Balance	\$13,561,403			

The most significant changes in assets, liabilities and fund balance were in the Cash and investments (\$1,324,568), Special assessments receivable/Deferred Revenue (an increase of nearly \$1 million for each), and Due to other governments (\$862,987). The decrease in Cash and investments was due primarily to various road and capital project expenditures. The increases in Special assessments receivable and Deferred revenue was due to the billing of the Principal Shopping District. The decrease in the Due to other governments was as a result of the payment of liabilities due to the local school district, intermediate schools and the State Education tax under Proposal A.

The following schedule presents a summary of general, special revenue, capital project, debt service, and permanent fund revenues and expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FY 03-04 TOTAL	PCT OF TOTAL	CHANGE FROM 02-03	PCT CHG.
Taxes	\$10,363,445	75.2%	\$119,537	1.2%
Licenses	384,848	2.8%	(21,815)	-0.7%
Intergovernmental	1,580,183	11.5%	(30,077)	-1.9%
Service Charges and Sales	777,246	5.6%	(8,584)	-1.1%
Fines and Forfeits	69,046	0.5%	(10,760)	-13.5%
Miscellaneous	606,878	4.4%	9,355	1.5%
Total Revenues	\$13,781,646			

The only significant change (on a percentage basis, if not in absolute dollars) was in receipts of District Court fines (for civil infractions issued by the Police Department). It is not uncommon to see this level of fluctuation in these receipts from year to year.

Expenditures	FY 03-04 TOTAL	PCT OF TOTAL	CHANGE FROM 02-03	PCT CHG.
General Government	\$2,184,103	16.2%	\$72,642	3.4%
Public Safety	3,159,414	23.5%	325,889	11.5%
Public Works	2,489,219	18.5%	1,080,916	76.6%
Sanitation	660,136	4.9%	24,968	3.9%
Parks and Recreation	456,627	3.4%	26,705	6.2%
Public Library	448,100	3.3%	24,286	5.7%
Planning Commission and ZBA	41,374	0.3%	9,758	27.6%
Capital Outlay	3,007,005	22.4%	535,389	21.7%
Debt Service	1,006,593	7.5%	(142,951)	-12.4%
Total Expenditures	\$13,452,571			

The increase in Public Safety expenditures was the result of increased personnel costs. This was due to the fact that there were more personnel vacancies in the FY 02-03 than in the FY 03-04.

The increase in Public Works was primarily due to a previously-mentioned increase in road paving and bridge construction projects.

The increase in Capital Outlay was due primarily to the Older Persons Commission building project as well as the Paint Creek Walkway and vest pocket park project.

GENERAL FUND BUDGETARY HIGHLIGHTS

Also, General Fund tax revenues exceeded original budgeted targets due to faster-than-anticipated growth in property taxable values between the time the budget was first established in the spring of 2003 and the time that the final taxable values were reported in the early summer of 2003. The net effect of these revenue streams left planned expenditures unaffected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2004, the City had \$26,790,561 million invested in capital assets including police and fire equipment, buildings, park facilities, roads and water, sewer, and gas lines (see table below). This represents a net increase of just under 3 percent over last year.

	Governmental Activities		Business Activities		Totals	
	02-03	03-04	02-03	03-04	02-03	03-04
Land	2,107,911	2,107,911	0	0	2,107,911	2,107,911
Buildings	2,369,950	2,629,137	483,443	464,570	2,853,394	3,093,707
Improvements	143,732	137,708	9,013,919	9,771,385	9,157,651	9,909,093
Equipment	1,279,034	1,859,023	330,374	323,389	1,609,408	2,182,412
Infrastructure	9,662,105	9,497,438	0	0	9,662,105	9,497,438
Construction	0	0	0	0	0	0
Totals	15,562,733	16,231,217	9,827,736	10,559,344	25,390,469	26,790,561

This year's major additions included the completion of the City Municipal Building project (approximately \$88,000 for FY 03-04), the Council Chambers renovation project (approximately \$133,000), the expansion of the Parks Maintenance Building (approximately \$110,000), water and sewer main and meter improvements (approximately \$310,000), stormsewer improvements (approximately \$582,000), and police and DPW vehicle purchases (approximately \$750,000).

Debt

As of June 30, 2004, the City had \$7,635,486 in outstanding General Obligation bonds and land contracts payable compared to \$8,278,273 at the end of FY 02-03. That is a decrease of 7.8 percent as shown in the following table.

	02-03	03-04
General Obligation Bonds	\$8,165,000	\$7,535,000
Land Contract Payable	\$113,273	\$100,486
Totals	\$8,278,273	\$7,635,486

Other obligations of the City include accrued compensated absences.

ECONOMIC FACTORS, MAJOR EXPENDITURES AND RATES

Beginning in the calendar year 2001 and continuing into FY 03-04, we have experienced a decrease in the state's Shared Revenue distributions. More decreases are anticipated for the future. The nationwide economic recovery has been in motion for some time, however Michigan's economy has lagged in some key regards. The City will continue to budget Revenue Sharing cautiously.

For the Fiscal Year 04-05, the City is planning some significant capital projects, including storm sewer improvements (\$120,000), parking lot improvements (\$125,000), upgrades for the Community House (\$200,000), as well as other projects involving ash tree replacement, gypsy moth mitigation, Paint Creek Trail resurfacing and Vest Pocket Park improvements totaling \$160,000.

A new computer network and computer replacements are budgeted in the amount of \$53,000 for the city administration in FY 04-05.

Road and bridge projects are planned from the Major and Local Streets funds for FY 04-05 totaling \$295,000.

Purchases of new vehicles for the Police Department are budgeted for FY 04-05 at \$64,000, including two new Police squad cars and a new investigator vehicle.

The Revolving Equipment Fund is budgeted in FY 04-05 to purchase vehicles for use by the Department of Public Works, Parks and Recreation and Water and Sewer Departments in the amount of \$394,000.

There are no plans to change the City of Rochester's property tax rates, which are designated for the City's general operations (including appropriations to several organizations which deliver cultural and recreational programs to the public), City-owned debt, and the operation of the Older Persons' Commission.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Municipal Offices at 400 Sixth Street, Rochester, Michigan.

Kenneth A. Johnson
City Manager

Thomas C. Skrobola
Finance Director

CITY OF ROCHESTER
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 15,872,109	\$ 875,542	\$ 16,747,651
Receivables:			
Customers	547,719	582,585	1,130,304
Special assessments	1,324,790	-	1,324,790
Internal balances	-	-	-
Due from other governmental units	-	-	-
Prepaid items and other assets	51,723	2,510	54,233
Inventories	19,869	48,050	67,919
Restricted assets	-	11,595,345	11,595,345
Capital assets - net	<u>16,796,557</u>	<u>9,994,004</u>	<u>26,790,561</u>
TOTAL ASSETS	34,612,767	23,098,036	57,710,803
LIABILITIES			
Accounts payable	546,954	605,853	1,152,807
Intergovernmental payables	923,181	-	923,181
Accrued and other liabilities	350,905	35,000	385,905
Liabilities from restricted assets	-	34,995	34,995
Noncurrent liabilities:			
Bonds and contracts payable, Due within one year	638,780	-	638,780
Bonds and contracts payable, Due in more than one year	6,996,706	-	6,996,706
Employee absences	<u>337,514</u>	<u>-</u>	<u>337,514</u>
TOTAL LIABILITIES	9,794,040	675,848	10,469,888

The Notes to Financial Statements are an
Integral Part of this Statement.

CITY OF ROCHESTER
STATEMENT OF NET ASSETS - Continued
JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,796,557	9,994,004	26,790,561
Restricted:			
Water & Sewer	-	11,561,149	11,561,149
Special revenue	274,859	-	274,859
Debt Service	173,412	-	173,412
Capital projects	197,886	-	197,886
Unrestricted	<u>7,376,013</u>	<u>867,035</u>	<u>8,243,048</u>
TOTAL NET ASSETS	<u>\$ 24,818,727</u>	<u>\$ 22,422,188</u>	<u>\$47,240,915</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

CITY OF ROCHESTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Functions/Programs							
Primary government - Governmental activities:							
General government	\$ 873,453	\$ 34,797	\$ 905,729	\$ 36,970	\$ 104,043	\$ -	\$ 104,043
Public safety	3,197,203	640,850	4,424	-	(2,551,929)	-	(2,551,929)
Public works	1,338,412	42,921	-	-	(1,295,491)	-	(1,295,491)
Community and economic development	3,747,251	203,829	-	29,620	(3,513,802)	-	(3,513,802)
Highway and streets	2,190,068	31,850	632,616	26,330	(1,499,272)	-	(1,499,272)
Culture and recreation	990,222	42,846	-	-	(947,376)	-	(947,376)
Interest expense	387,962	-	-	-	(387,962)	-	(387,962)
Total governmental activities	12,724,571	997,093	1,542,769	92,920	(10,091,789)	-	(10,091,789)
Business-type activities:							
Water and sewer	2,825,135	3,137,315	-	-	-	312,180	312,180
Automobile parking system	26,019	92,166	96,000	-	-	162,147	162,147
Total business-type activities	2,851,154	3,229,481	96,000	-	-	474,327	474,327
Total primary government - Governmental activities	\$ 15,575,725	\$ 4,226,574	\$ 1,638,769	\$ 92,920	(10,091,789)	474,327	(9,617,462)
General revenues:							
Property taxes and related fees					10,331,735	-	10,331,735
State-shared revenues					-	-	-
Unrestricted investment earnings					172,492	66,498	238,990
Miscellaneous					115,698	56,259	171,957
Transfers					117,874	(356,240)	(238,366)
Total general revenues and transfers					10,737,799	(233,483)	10,504,316
Change in Net Assets					646,010	240,844	886,854
Net Assets - Beginning of year					24,172,717	22,181,344	46,354,061
Net Assets - End of year					\$ 24,818,727	\$ 22,422,188	\$ 47,240,915

**CITY OF ROCHESTER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	GENERAL FUND	MAJOR STREETS FUND	LOCAL STREETS FUND	DOWNTOWN DEVELOPMENT AUTHORITY FUND	CAPITAL PROJECTS GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and investments	\$ 4,907,517	\$ 1,741,962	\$ 1,504,826	\$ 2,092,363	\$ 3,748,050	\$ 755,749	\$ 14,750,467
Accounts receivable - net	135,155	71,786	31,465	188,840	20,000	-	447,246
Taxes receivable - net	32,117	-	-	67,354	-	1,002	100,473
Due from other funds	9,805	12,670	-	-	250,000	488	272,963
Special assessments receivable	-	-	68,390	1,256,400	-	-	1,324,790
Prepaid expenses and other assets	58,356	415	1,005	468	-	446	60,690
TOTAL ASSETS	\$ 5,142,950	\$ 1,826,833	\$ 1,605,686	\$ 3,605,425	\$ 4,018,050	\$ 757,685	\$ 16,956,629
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 149,031	\$ 68,707	\$ 131,190	\$ 150,982	\$ 22,557	\$ 10,108	\$ 532,575
Accrued and other liabilities	80,697	-	-	10,184	-	-	90,881
Deferred revenues	618	-	68,390	1,256,400	-	-	1,325,408
Due to other funds	13,157	250,000	-	-	-	-	263,157
Due to other governmental units	5,034	-	-	918,147	-	-	923,181
Other liabilities	260,024	-	-	-	-	-	260,024
TOTAL LIABILITIES	508,561	318,707	199,580	2,335,713	22,557	10,108	3,395,226
FUND BALANCES							
Reserved	-	-	-	-	20,000	646,157	666,157
Unreserved - Reported in:							
General Fund	4,634,389	-	-	-	-	-	4,634,389
Special Revenue Fund	-	1,508,126	1,406,106	-	-	101,420	3,015,652
Capital Projects Fund	-	-	-	1,269,712	3,975,493	-	5,245,205
TOTAL FUND BALANCES	4,634,389	1,508,126	1,406,106	1,269,712	3,995,493	747,577	13,561,403
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,142,950	\$ 1,826,833	\$ 1,605,686	\$ 3,605,425	\$ 4,018,050	\$ 757,685	\$ 16,956,629

**CITY OF ROCHESTER
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2004**

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 13,561,403
Amounts reported for governmental activities in the statement of net activities are different because:	
Capital assets used in the governmental activities are not current financial resources and are not reported in the governmental funds balance sheet	14,996,215
The funds defer recognition of revenue on any amounts not collected within two months of the end of the year	1,202,120
Internal Service Fund is include as part of governmental activities	3,031,989
The funds do not report bond indebtedness as a liabiltiy until it comes due for payment	(7,635,486)
Employee compensated absences are not due and payable in the current period and are not reported in funds	<u>(337,514)</u>
NET ASSETS OF GOVERNEMENTAL FUNDS	<u>\$ 24,818,727</u>

CITY OF ROCHESTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2004

	GENERAL FUND	MAJOR STREETS FUND	LOCAL STREETS FUND	DOWNTOWN DEVELOPMENT AUTHORITY FUND	CAPITAL PROJECTS GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Taxes and special assessments	\$ 8,044,719	\$ -	\$ 31,850	\$ 1,888,487	\$ -	\$ 398,389	\$ 10,363,445
Licenses and permits	384,848	-	-	-	-	-	384,848
Intergovernmental revenue	917,947	447,177	185,439	-	-	29,620	1,580,183
Service charges and sales	727,955	-	-	-	-	49,291	777,246
Fines and forfeits	69,046	-	-	-	-	-	69,046
Miscellaneous	62,420	26,940	1,479	299,828	58,004	437	449,108
Interest income	81,262	9,976	8,995	12,952	16,140	28,445	157,770
TOTAL REVENUES	<u>10,288,197</u>	<u>484,093</u>	<u>227,763</u>	<u>2,201,267</u>	<u>74,144</u>	<u>506,182</u>	<u>13,781,646</u>
EXPENSES							
General public	1,300,715	-	-	755,637	-	127,751	2,184,103
Public safety	3,159,414	-	-	-	-	-	3,159,414
Public works	799,511	887,890	801,818	-	-	-	2,489,219
Sanitation	660,136	-	-	-	-	-	660,136
Parks and recreation	456,627	-	-	-	-	-	456,627
Public library	448,100	-	-	-	-	-	448,100
Planning commission and zoning board	41,374	-	-	-	-	-	41,374
Capital outlay	-	-	-	1,067,480	1,037,406	902,119	3,007,005
Debt Service:							
Principle	-	-	-	-	-	630,000	630,000
Interest	-	-	-	-	-	376,593	376,593
TOTAL EXPENDITURES	<u>6,865,877</u>	<u>887,890</u>	<u>801,818</u>	<u>1,823,117</u>	<u>1,037,406</u>	<u>2,036,463</u>	<u>13,452,571</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE	3,422,320	(403,797)	(574,055)	378,150	(963,262)	(1,530,281)	329,075
OTHER FINANCING SOURCES (USES)							
Transfers in	-	930,500	644,180	-	1,178,620	720,768	3,474,068
Transfers (out)	(2,851,490)	(76,663)	-	(575,605)	(400,000)	(29,620)	(3,933,378)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	570,830	450,040	70,125	(197,455)	(184,642)	(839,133)	(130,235)
FUND BALANCE							
Beginning of year	4,063,559	1,058,086	1,335,981	1,467,167	4,160,135	1,586,710	13,671,638
FUND BALANCE - JUNE 30, 2004	<u>\$ 4,634,389</u>	<u>\$ 1,508,126</u>	<u>\$ 1,406,106</u>	<u>\$ 1,269,712</u>	<u>\$ 3,975,493</u>	<u>\$ 747,577</u>	<u>\$ 13,541,403</u>

**CITY OF ROCHESTER
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (130,235)
---	---------------------

Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these
assets is allocated over their estimated useful lives and
reported as depreciation expenses. This is the amount by
which capital outlays exceeded depreciation in the
current period.

102,034

The funds report revenue as it is collected or available, but
the statement of activities reported it in prior years
when earned.

(5,000)

Revenue reported in the statement of activities that does
not provide current financial resources and is not
reported as revenue in the governmental funds.

(38,713)

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-
term liabilities in the Statement of Net Assets.

642,787

Increase in accumulated employee severance and sick pay
is recorded when earned in the statement of activities.

(40,575)

Internal Service Fund is also included in governmental
activities.

115,712

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 646,010

**CITY OF ROCHESTER
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	BUSINESS TYPE ACTIVITIES			INTERNAL
	WATER AND SEWER SYSTEM	AUTOMOBILE PARKING SYSTEM	TOTAL	SERVICE FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 703,462	\$ 172,080	\$ 875,542	\$ 1,121,642
Accounts receivable - net	582,585	-	582,585	113,457
Inventory	47,550	500	48,050	9,389
Due from other funds	-	-	-	25
Prepaid expenses	2,412	98	2,510	1,513
TOTAL CURRENT ASSETS	<u>1,336,009</u>	<u>172,678</u>	<u>1,508,687</u>	<u>1,246,026</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	11,595,345	-	11,595,345	-
Capital assets	9,651,055	342,949	9,994,004	1,800,342
TOTAL ASSETS	<u>\$ 22,582,409</u>	<u>\$ 515,627</u>	<u>\$ 23,098,036</u>	<u>\$ 3,046,368</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 604,875	\$ 978	\$ 605,853	\$ 14,379
Due to other funds	800	-	800	-
Refundable deposits	35,000	-	35,000	-
Payable from restricted assets	34,195	-	34,195	-
TOTAL CURRENT LIABILITIES	<u>674,870</u>	<u>978</u>	<u>675,848</u>	<u>14,379</u>
NET ASSETS				
Invested in capital assets - net of related debt	9,651,055	342,949	9,994,004	1,800,342
Restricted for replacement	47,770	-	47,770	-
Restricted for capital improvements	11,513,379	-	11,513,379	-
Unrestricted	695,335	171,700	867,035	1,231,647
TOTAL NET ASSETS	<u>21,907,539</u>	<u>514,649</u>	<u>22,422,188</u>	<u>3,031,989</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,582,409</u>	<u>\$ 515,627</u>	<u>\$ 23,098,036</u>	<u>\$ 3,046,368</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

**CITY OF ROCHESTER
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN NET ASSETS
JUNE 30, 2004**

	BUSINESS TYPE ACTIVITIES			INTERNAL SERVICE FUND
	WATER AND SEWER SYSTEM	AUTOMOBILE PARKING SYSTEM	TOTAL	
REVENUES				
Water sales	\$ 1,328,288	\$ -	\$ 1,328,288	\$ -
Sewage disposal fees	1,465,985	-	1,465,985	-
Penalty income	26,035	16,172	42,207	-
Water and sewer taps	253,370	-	253,370	-
Charges for sales and services	12,207	108,604	120,811	674,216
Miscellaneous	63,273	96,650	159,923	3,635
TOTAL REVENUE	<u>3,149,158</u>	<u>221,426</u>	<u>3,370,584</u>	<u>677,851</u>
OPERATING EXPENSES				
Water distribution	1,230,552	-	1,230,552	-
Sewage collection and disposal	1,249,514	-	1,249,514	-
Administrative	329,773	128,760	458,533	120,670
Operation and maintenance	-	26,019	26,019	304,003
Depreciation	276,776	-	276,776	171,060
TOTAL OPERATING EXPENSES	<u>3,086,615</u>	<u>154,779</u>	<u>3,241,394</u>	<u>595,733</u>
OPERATING INCOME (LOSS)	62,543	66,647	129,190	82,118
NON-OPERATING REVENUES (EXPENSES)				
Sale of rental equipment	-	-	-	41,659
Interest income	110,914	739	111,653	15,280
NET INCOME (LOSS) BEFORE TRANSFERS	173,457	67,386	240,843	139,057
Transfers from other funds	-	96,000	96,000	-
Transfers to (other) funds	-	(96,000)	(96,000)	-
CHANGE IN NET ASSETS	173,457	67,386	240,843	139,057
NET ASSETS - Beginning of year	<u>21,734,082</u>	<u>447,263</u>	<u>22,181,345</u>	<u>2,892,932</u>
NET ASSETS - End of year	<u>\$ 21,907,539</u>	<u>\$ 514,649</u>	<u>\$ 22,422,188</u>	<u>\$ 3,031,989</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

**CITY OF ROCHESTER
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS TYPE ACTIVITIES			INTERNAL SERVICE FUND
	WATER AND SEWER SYSTEM	AUTOMOBILE PARKING SYSTEM	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 3,142,143	\$ 90,794	\$ 3,232,937	\$ 672,743
Payments to suppliers	(2,079,241)	(7,566)	(2,086,807)	(305,934)
Payments to employees	(207,982)	(9,254)	(217,236)	(86,031)
Interfund activity	(425,464)	(18,376)	(443,840)	(42,240)
Other operating revenue	24,626	650	25,276	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>454,082</u>	<u>56,248</u>	<u>510,330</u>	<u>238,538</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(314,030)	-	(314,030)	(704,870)
Proceeds from sale of equipment	-	-	-	41,659
NET CASH (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(314,030)</u>	<u>-</u>	<u>(314,030)</u>	<u>(663,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>110,914</u>	<u>739</u>	<u>111,653</u>	<u>15,280</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	250,966	56,987	307,953	(409,393)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,002,275</u>	<u>115,093</u>	<u>12,117,368</u>	<u>1,531,035</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,253,241</u>	<u>\$ 172,080</u>	<u>\$ 12,425,321</u>	<u>\$ 1,121,642</u>

**CITY OF ROCHESTER
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS TYPE ACTIVITIES			INTERNAL SERVICE FUND
	WATER AND SEWER SYSTEM	AUTOMOBILE PARKING SYSTEM	TOTAL	
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM				
OPERATING ACTIVITIES				
Operating income (loss)	\$ 62,543	\$ 66,647	\$ 129,190	\$ 82,118
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation	276,776	-	276,776	171,060
Changes in assets and liabilities				
Accounts payable	117,020	23	117,043	(6,413)
Accounts receivable	4,618	-	4,618	(4,860)
Inventories	-	-	-	-
Other assets	(348)	18	(330)	(247)
Other liabilities	(6,527)	(10,440)	(16,967)	(3,120)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 454,082</u>	<u>\$ 56,248</u>	<u>\$ 510,330</u>	<u>\$ 238,538</u>

**CITY OF ROCHESTER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004**

	PENSION AND OTHER EMPLOYEE BENEFITS	AGENCY
ASSETS		
Cash and cash equivalents	\$ <u>1,520,044</u>	<u>\$ 645,040</u>
LIABILITIES		
Accounts payable	\$ 2,323	\$ 21,622
Accrued and other liabilities	21,825	18,237
Payroll withholdings	-	10,153
Due to other funds	-	10,319
Prepaid taxes	-	25,123
Due to other governments	-	-
Undistributed tax collections	<u>-</u>	<u>559,586</u>
TOTAL LIABILITIES	<u>24,148</u>	<u>\$ 645,040</u>
NET ASSETS - Held in trust for pension and other employee benefits	<u>\$ 1,495,896</u>	

The Notes to Financial Statements are an
Integral Part of this Statement.

**CITY OF ROCHESTER
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2004**

	PENSION AND OTHER EMPLOYEE BENEFITS
ADDITIONS	
Contributions - employer	\$ 734,886
INVESTMENT INCOME	
Interest	<u>5,162</u>
TOTAL ADDITIONS	740,048
DEDUCTIONS	
Employee benefits	<u>126,415</u>
CHANGE IN NET ASSETS	613,633
NET ASSETS - Beginning of year	<u>882,263</u>
NET ASSETS - End of year	<u><u>\$ 1,495,896</u></u>

CITY OF ROCHESTER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rochester (the "City") conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Rochester:

A. Reporting Entity

The City of Rochester is governed by an elected seven-member council. There are no component units for which the City is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentations

The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2004

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

(Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.) All other revenue items are considered to be available only when cash is received by the government.

Property taxes

The City's property tax is levied on each July 1 on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31.

The City's 2003 ad valorem tax is levied on July 1, 2003 and recognized as revenue for the June 30, 2004 budget year.

The 2003 taxable valuation of the City totaled \$647,587,792 million, on which ad valorem taxes levied consisted of 12.8834 mills for the Local Governmental Unit operating purposes, .2470 mills for older person's commission, .6700 mills for debt service, raising \$10,319,980 for operating, \$399,297 for debt service. These amounts are recognized in the respective General, Capital Projects and Debt Service Fund financial statements as taxes receivable or as tax revenue.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for the resources of State gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Fund accounts for the resources of State gas and weight tax revenue that are restricted for use on local streets.

The Capital Projects - General Fund accounts for the special resources used for the acquisition or major renovation of capital facilities.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2004

The Capital Projects – Downtown Development Authority accounts for the resources of property taxes collected for the tax increment financing plan for the adopted downtown development plan.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

The Agency Fund accounts for assets held on behalf of third parties.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables- In general, outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets – Capital Assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 100 years
Roads	10 to 20 years
Vehicles	2 to 10 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

Compensated Absences (Vacation and Sick Leave) – It is the City's policy to permit employees to accumulate earned but unused sick and compensatory time off benefits. All sick and compensatory time off is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles, except that operating transfers have been included in the revenue and expenditure categories, rather than as "other financing sources."

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) On or before the first Monday in April, the City manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Appropriations are made on an activity basis within the General Fund and on a total fund basis in other governmental funds.
- (2) Public hearings are conducted to obtain taxpayer comments.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

- (3) Not later than the second Monday in May, the budget is legally enacted through adoption of a resolution in accordance with the Michigan Uniform Accounting and Budgeting Act.
- (4) The City Manager is authorized by the Council to transfer budgeted amounts within appropriations, however, any revisions that alter the total appropriation must be approved by the City Council.
- (5) Appropriations for the fiscal year lapse every June 30. Council may re-appropriate any amount at its discretion.

The budget presents information by fund, function, department and line items. The level of budgetary control adopted by the City Council is at the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds – The City did not have significant expenditure budget variances.

Construction Code Fees – The City oversees building constructions in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City's fee structure is not intended to recover the cost of the building permit revenue. Beginning January 1, 2000, the law requires that the use of fees generated can only be used for the operation of the department including an allocation of estimated overhead costs. A summary of the revenues and expenditures for the year ended June 30, 2004, is as follows:

Building permit revenue		\$ 193,901
Related expenditures		
Direct costs	287,367	
Estimated overhead costs	<u>5,000</u>	
Total construction code expenditures		<u>292,367</u>
Shortfall		<u>(\$98,466)</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements, bankers' acceptance of United States banks; commercial paper rated

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated twelve financial institutions for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized the instruments approved by the state statutory authority as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 8,000,709	\$ 5,564,440	\$1,402,519	\$14,967,668
Investments	<u>7,871,400</u>	<u>6,860,888</u>	<u>762,565</u>	<u>15,494,853</u>
Total	<u>\$15,872,109</u>	<u>\$12,425,328</u>	<u>\$2,165,084</u>	<u>\$30,462,521</u>

The bank balance of the City's deposits is \$15,071,470 of which \$500,000 is covered by federal depository insurance.

The City's investments during the year consisted solely of bank investment pools and an inter-local agreement investment pool. The bank investment pools are regulated by the Michigan Banking Act. Investments under the inter-local agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and inter-local agreement pools is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the City; however, these funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The City believes that the investments in these funds comply with the investment authority noted above.

NOTE 4 – RECEIVABLES

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessments	<u>\$ 68,390</u>	<u>\$1,256,400</u>

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the City for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,107,912	\$ -	\$ -	\$ 2,107,912
Capital Assets Being Depreciated				
Buildings	3,063,710	333,036	-	3,396,746
Improvements Other Than Buildings	385,829	-	-	385,829
Machinery and Equipment	1,244,270	86,926	-	1,331,196
Infrastructure	14,370,724	590,619	-	14,961,343
Internal Service Fund	<u>2,905,394</u>	<u>718,633</u>	<u>259,517</u>	<u>3,364,510</u>
Subtotal	21,969,927	1,729,214	259,517	23,439,624
Less: Accumulated Depreciation for				
Buildings	693,759	73,850	-	767,609
Improvements Other Than Buildings	242,097	6,024	-	248,121
Machinery and Equipment	633,788	73,395	-	707,183
Infrastructure	4,708,620	755,278	-	5,463,898
Internal Service Fund	<u>1,638,856</u>	<u>171,060</u>	<u>245,748</u>	<u>1,564,168</u>
Subtotal	7,917,120	1,079,607	<u>245,748</u>	<u>8,750,979</u>
Net Capital Assets Being Depreciated	<u>14,052,807</u>	<u>649,607</u>	<u>13,769</u>	<u>14,688,645</u>
Net Capital Assets	<u>\$16,160,719</u>	<u>\$ 649,607</u>	<u>\$ 13,769</u>	<u>\$16,796,557</u>

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

Business-Type Activities

Capital Assets Not Being Depreciated				
Land	\$ 363,253	\$ -	\$ -	\$ 363,253
Capital Assets Being Depreciated				
Improvements Parking Lots	166,609	-	-	166,609
Sewage Disposal System	7,137,541	198,491	-	7,336,032
Water Distribution System	5,857,002	120,741	-	5,977,743
Parking Meters	59,776	-	-	59,776
Other Equipment	<u>57,728</u>	<u>-</u>	<u>-</u>	<u>57,728</u>
Subtotal	13,278,656	319,232	-	13,597,888
Less Accumulated Depreciation for				
Improvements Parking Lots	166,609	-	-	166,609
Sewage Disposal System	1,507,814	138,943	-	1,646,757
Water Distribution System	1,919,906	134,945	-	2,054,851
Parking Meters	59,776	-	-	59,776
Other Equipment	<u>36,256</u>	<u>2,888</u>	<u>-</u>	<u>39,144</u>
Subtotal	3,690,361	276,776	-	3,967,137
Net Capital Being Depreciated	<u>9,588,295</u>	<u>42,456</u>	<u>-</u>	<u>9,630,751</u>
Net Capital Assets	<u>\$9,951,548</u>	<u>\$ 42,456</u>	<u>\$ -</u>	<u>\$ 9,994,004</u>

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	\$ 55,523
General Government	77,698
Public Safety	758
Public Works	48,909
Recreation and Culture	
Internal Service Fund Depreciation is Charged to the	
Various Functions Based on Their Usage of the Assets	171,060
Community and Economic Development	77,149
Highway Streets	<u>648,510</u>
Total Governmental Activities	<u>\$1,079,607</u>
Business-Type Activities	
Water and Sewer Fund	<u>\$ 276,776</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax Collection Fund	\$ 6,344
General	Auto Parking	0
General	Water and Sewer	0
General	Revolving Equipment	0
General	Water and Sewer Improvement	<u>0</u>
Total		<u>\$ 6,344</u>

INTERFUND TRANSFERS

		<u>Transfers Out:</u>		
	General	Other	Business	
	Fund	Governmental	Type	Total
		Funds	Activities	

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

	General Fund	Other Governmental Funds	Business Type Activities	Total
Transfers In:				
Major Street Fund	\$ 528,000	\$ 402,500	\$ -	\$ 930,500
Local Street Fund	644,180	-		644,180
DDA	-	-	96,000	96,000
Capital Projects	1,149,000	29,620	-	1,178,620
Other Governmental Funds	104,310	541,605	-	645,915
Business Type Activities	96,000	34,000	-	130,000
Fiduciary Funds	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>
Total	<u>\$2,851,490</u>	<u>\$1,007,725</u>	<u>\$ 96,000</u>	<u>\$3,955,215</u>

NOTE 7 – LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	BEGINNING BALANCE JULY 1, 2003	(REDUCTIONS) ADDITIONS	ENDING BALANCE JUNE 30, 2004	DUE WITHIN ONE YEAR
GENERAL OBLIGATION BONDS:				
1994 Unlimited Tax Bonds maturing through October 1, 2013 with interest ranging from 4.0% to 7%	\$2,600,000	(\$150,000)	\$2,450,000	\$ 150,000
1990 Limited Tax Bonds maturing October 1, 2009 and 2010 with interest at 5.0%	400,000	-	400,000	-

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

	BEGINNING BALANCE JULY 1, 2003	(REDUCTIONS) ADDITIONS	ENDING BALANCE JUNE 30, 2004	DUE WITHIN ONE YEAR
1991 Limited Tax Bonds maturing October 1, 2009 and 2010 with interest at 5.0%	500,000	-	500,000	-
1996 Michigan Transportation Fund Bonds maturing through October 1, 2010 with interest ranging from 4.2% to 5.1%	575,000	(50,000)	525,000	50,000
1996 Unlimited Tax Bonds maturing through October 1, 2008 with interest ranging from 4.4% to 5.1%	2,490,000	(380,000)	2,110,000	375,000
2001 Unlimited Tax Bonds maturing through April 1, 2020 with interest ranging from 4.0% to 6.0%	1,600,000	(50,000)	1,550,000	50,000
Land Contract Payable due August 2010 with interest at 7.5%	<u>113,273</u>	<u>(12,787)</u>	<u>100,486</u>	<u>13,780</u>
TOTAL	<u>\$ 8,278,273</u>	<u>(\$642,787)</u>	<u>\$7,635,486</u>	<u>\$638,780</u>

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

The annual requirements to amortize principal and interest on all debt outstanding as of June 30, 2004 are as follows:

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES
2005	\$ 989,515
2006	1,075,184
2007	1,034,255
2008	1,062,470
2009	1,013,210
2010-2014	3,445,774
2015-2019	739,050
2020-2021	<u>322,500</u>
TOTAL	<u>\$ 9,681,958</u>

NOTE 8 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue Bond Restrictions	
Improvement and Replacement Account	\$11,547,575
Bond Reserve Replacement Account	<u>47,770</u>
Total Restricted Assets	<u>\$11,595,345</u>

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and purchases private insurance coverage for liability and general claims. The Downtown Development Authority utilizes the Michigan Municipal risk pool for general liability claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

The Michigan Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 13, the City provides post-employment health care benefits in accordance with the non-union benefit resolution.

All non-union employees and their spouses, the Department of Public Works union employees and the police union employees who retire from the City are provided with 4% of the cost of single coverage premiums for each year of employment. Currently, eight retirees are receiving benefits. The cost of retirees' health care benefits are recognized as a current expenditure. For the year ended June 30, 2004 costs recognized totaled \$67,195.

NOTE 11 – PENDING LITIGATION

In the normal course of its activities, the City becomes a party in various legal actions. Legal counsel and management of the City are of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, have not reflected loss reserves in the financial statements.

NOTE 12 – LIABILITY FOR SICK LEAVE PAY AND COMPENSATORY TIME OFF

The City has contractual obligations with both the police department employees and the department of public works employees. Both of these union contracts provide for payment of unused accumulated sick time on termination of employment.

The City has also established policies affecting all of the non-union personnel which provide for both payments of accumulated unused sick time and accumulated unused compensatory time off (unpaid overtime hours).

In addition, the Council adopted a resolution providing for a separate computation of severance pay or termination pay for the City Manager. This resolution provides for severance pay of ninety days, if sixty days notice in advance of a voluntary resignation is submitted and an escalating number of days of termination pay up to a maximum of three hundred sixty days (after nine full years of service) if terminated by the Council with less than the number of days notice as provided in the formula.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2004

The table below indicates the amount which would have been due the Manager on June 30, 2004 had his employment been terminated by the Council without notice. The termination pay is a contingent liability and is not due the City Manager if termination is voluntary or the result of his failure to perform the duties of his office or his conviction of an illegal act. However, the ninety-day severance pay is an obligation of the City providing the City Manager submits a sixty-day notice in advance of his voluntary resignation.

As of June 30, 2004, the estimated liability for all sick leave and compensatory time off has been computed as follows:

CLASSIFICATION	SICK LEAVE	SEVERANCE	TOTAL
		AND C.T.O.	
City Manager	\$ -	\$105,592	\$105,592
Police Department	51,480	-	51,480
Department of Public Works	28,901	-	28,901
Non-union Personnel	<u>149,178</u>	<u>2,363</u>	<u>151,541</u>
TOTAL	<u>\$229,559</u>	<u>\$107,955</u>	<u>\$337,514</u>

The liability has been funded by transfers to the Fiduciary Funds in prior years. As of June 30, 2004, the Severance and Sick Pay account maintained in the Fiduciary Funds has a balance of \$254,295.

NOTE 13 – PENSION PLANS

PLAN DESCRIPTION:

- A. The City of Rochester participates in the Municipal Employees' Retirement System of Michigan (MERS) which is an agent multiple employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 220, Public Acts of 1996, as amended, and the constitution of the State of Michigan. The plan covers all employees except the City Manager and is financed by both employee and employer contributions.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service, police department and non-union participants at age 50 with 25 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to a reduction of benefits.

The MERS issues a publicly available financial report. That report may be obtained by writing to the Michigan Municipal Retirement System, 447 N. Canal Road, Lansing, Michigan 48917.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2004

FUNDING POLICY:

Police members contribute 5% of annual compensation. Non-police members contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The City is required to contribute an actuarially determined rate. The contribution requirements of plan members and the City are established by Act No. 220 of the Public Acts of 1996, and the MERS Plan Document as revised.

ANNUAL PENSION COST:

The annual required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal funding actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

REQUIRED SUPPLEMENTARY INFORMATION
THREE-YEAR TREND INFORMATION

FISCAL YEAR FUNDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
6/30/02	18,543	100%	0
6/30/03	32,792	100%	0
6/30/04	64,618	100%	0

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
12/31/01	10,614,289	10,095,348	(518,941)	105	2,752,053	0
12/31/02	10,583,429	11,000,997	417,568	96	2,892,325	14
12/31/03	11,046,855	11,809,584	762,729	94	3,010,220	25

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2004

- B. By agreement with the City Manager, a deferred compensation plan is purchased from the International City Management Association Retirement Corporation. The net cost to the City for the year ended June 30, 2003 and June 30, 2004 amounted to \$10,485 and \$10,451 respectively. All contributions to the plan together with accumulated earnings thereon remain an asset of the City of Rochester subject to its control and right to withdrawal.
- C. The City of Rochester has established a Defined Benefit Pension Plan as of July 1, 1989 for the Rochester Volunteer Firefighters Association. The plan provides for a defined benefit of \$3.00 per month for each year of service with a maximum of thirty-five years of service. The plan provides for vesting of benefits after 10 years of service. All volunteer firefighters that have attained eighteen years of age and completed the required training and 1,000 hours of service are eligible to participate. Entry date is July 1st following satisfaction of the above requirements. Participants may elect normal retirement on the first day of the month following attainment of age 55. Contributions for the years ended June 30, 2003 and June 30, 2004 were \$5,655 and \$6,491.

**CITY OF ROCHESTER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

REVENUES

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET FAVORABLE (UNFAVORABLE)
GENERAL PROPERTY TAXES				
Property taxes	\$ 7,200,000	\$ 7,620,000	\$ 7,648,792	\$ 28,792
Interest and penalties	50,000	100,000	137,963	37,963
Collection fees	220,000	250,000	257,964	7,964
	<u>7,470,000</u>	<u>7,970,000</u>	<u>8,044,719</u>	<u>74,719</u>
LICENSES AND PERMITS				
Building department	125,000	220,500	264,940	44,440
Clerks department	15,000	20,000	20,256	256
Cable television franchise	95,000	95,000	99,652	4,652
	<u>235,000</u>	<u>335,500</u>	<u>384,848</u>	<u>49,348</u>
INTERGOVERNMENTAL REVENUE				
State shared taxes	<u>886,200</u>	<u>896,800</u>	<u>917,947</u>	<u>21,147</u>
SERVICE CHARGES AND SALES				
Misc. services and sales	184,050	197,050	223,235	26,185
Administrative cross charge	504,720	504,720	504,720	-
	<u>688,770</u>	<u>701,770</u>	<u>727,955</u>	<u>26,185</u>
FINES AND FORFEITS				
Other ordinance fines	<u>70,000</u>	<u>70,000</u>	<u>69,046</u>	<u>(954)</u>
MISCELLANEOUS				
Rent-Municipal Building	4,800	4,800	4,800	-
Interest on investments	80,000	70,000	81,262	11,262
Other items	8,500	54,400	57,620	3,220
	<u>93,300</u>	<u>129,200</u>	<u>143,682</u>	<u>14,482</u>
TOTAL REVENUE	<u>\$ 9,443,270</u>	<u>\$ 10,103,270</u>	<u>\$10,288,197</u>	<u>\$ 184,927</u>

**CITY OF ROCHESTER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

EXPENDITURES

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT				
City Council	\$ 72,090	\$ 72,090	\$ 64,692	\$ 7,398
Manager	376,980	376,980	360,541	16,439
Elections	44,930	44,930	20,613	24,317
Finance	424,260	424,260	402,792	21,468
Clerk	91,190	91,190	82,964	8,226
Board of Review	2,750	2,750	2,029	721
Civic Center	90,890	90,890	72,156	18,734
Other general services	299,600	299,600	294,928	4,672
TOTAL GENERAL GOVERNMENT	<u>1,402,690</u>	<u>1,402,690</u>	<u>1,300,715</u>	<u>101,975</u>
PUBLIC SAFETY				
Police department	2,816,240	2,756,240	2,542,408	213,832
Fire department	331,750	331,750	329,639	2,111
Protective inspection	377,450	307,450	287,367	20,083
TOTAL PUBLIC SAFETY	<u>3,525,440</u>	<u>3,395,440</u>	<u>3,159,414</u>	<u>236,026</u>
PUBLIC WORKS	997,430	837,430	799,511	37,919
SANITATION	735,100	665,100	660,136	4,964
PUBLIC LIBRARY	450,000	450,000	448,100	1,900
PARKS AND RECREATION	489,510	459,510	456,627	2,883
PLANNING COMMISSION	36,940	36,940	38,295	(1,355)
ZONING BOARD OF APPEALS	2,980	2,980	3,079	(99)
BUDGET CONTINGENCY	50,000	-	-	-
TRANSFERS OUT	<u>1,753,180</u>	<u>2,853,180</u>	<u>2,851,490</u>	<u>1,690</u>
TOTAL EXPENDITURES	<u>9,443,270</u>	<u>10,103,270</u>	<u>9,717,367</u>	<u>385,903</u>
FUND BALANCE- BEGINNING OF YEAR	<u>4,063,559</u>	<u>4,063,559</u>	<u>4,063,559</u>	<u>-</u>
FUND BALANCE- END OF YEAR	<u>\$4,063,559</u>	<u>\$4,063,559</u>	<u>\$4,634,389</u>	<u>\$ 570,830</u>

**CITY OF ROCHESTER
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET - FAVORABLE (UNFAVORABLE)
Revenues	\$ 423,520	\$ 423,520	\$ 484,093	\$ 60,573
Operating transfer in	<u>580,500</u>	<u>930,500</u>	<u>930,500</u>	<u>-</u>
Total Revenues	1,004,020	1,354,020	1,414,593	60,573
Expenditures	<u>804,890</u>	<u>954,890</u>	<u>964,553</u>	<u>(9,663)</u>
Fund Balance - Beginning of year	1,058,086	1,058,086	1,058,086	-
Fund balance (appropriated) surplus	<u>199,130</u>	<u>399,130</u>	<u>450,040</u>	<u>50,910</u>
Fund Balance - End of year	<u>\$1,257,216</u>	<u>\$1,457,216</u>	<u>\$1,508,126</u>	<u>\$ 50,910</u>

**CITY OF ROCHESTER
LOCAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET - FAVORABLE (UNFAVORABLE)
Revenues	\$ 174,500	\$ 174,500	\$ 227,763	\$ 53,263
Operating transfer in	<u>444,180</u>	<u>644,180</u>	<u>644,180</u>	<u>-</u>
Total Revenues	618,680	818,680	871,943	53,263
Expenditures	<u>722,420</u>	<u>722,420</u>	<u>801,818</u>	<u>(79,398)</u>
Fund Balance - Beginning of year	1,335,981	1,335,981	1,335,981	-
Fund balance (appropriated) surplus	<u>(103,740)</u>	<u>96,260</u>	<u>70,125</u>	<u>(26,135)</u>
Fund Balance - End of year	<u>\$1,232,241</u>	<u>\$1,432,241</u>	<u>\$1,406,106</u>	<u>\$ (26,135)</u>

**CITY OF ROCHESTER
NON-MAJOR GOVERNMENTAL
COMBINING BALANCE SHEET
JUNE 30, 2004**

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ 385,453	\$ 172,410	\$ 197,886	\$ 755,749
Due from other funds	488	-	-	488
Taxes receivable - net	-	1,002	-	1,002
Prepaid expenses	<u>446</u>	<u>-</u>	<u>-</u>	<u>446</u>
TOTAL ASSETS	<u>\$ 386,387</u>	<u>\$ 173,412</u>	<u>\$ 197,886</u>	<u>\$ 757,685</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 10,108	\$ -	\$ -	\$ 10,108
Accrued payroll	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>10,108</u>	<u>-</u>	<u>-</u>	<u>10,108</u>
FUND BALANCES				
Reserved	274,859	173,412	197,886	646,157
Unreserved	<u>101,420</u>	<u>-</u>	<u>-</u>	<u>101,420</u>
TOTAL FUND BALANCES	<u>376,279</u>	<u>173,412</u>	<u>197,886</u>	<u>747,577</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 386,387</u>	<u>\$ 173,412</u>	<u>\$ 197,886</u>	<u>\$ 757,685</u>

**CITY OF ROCHESTER
NON-MAJOR GOVERNMENTAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Sales and services	\$ 49,291	\$ -	\$ -	\$ 49,291
Intergovernmental revenue	29,620	-	-	29,620
Taxes	-	398,389	-	398,389
Interest income	3,624	522	24,299	28,445
Miscellaneous	437	-	-	437
TOTAL REVENUES	<u>82,972</u>	<u>398,911</u>	<u>24,299</u>	<u>506,182</u>
EXPENDITURES				
Administrative	124,404	3,347	-	127,751
Capital outlay	-	-	902,119	902,119
Principal and interest	-	1,006,593	-	1,006,593
TOTAL EXPENDITURES	<u>124,404</u>	<u>1,009,940</u>	<u>902,119</u>	<u>2,036,463</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,432)	(611,029)	(877,820)	(1,530,281)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	615,768	15,000	720,768
Transfers out	(29,620)	-	-	(29,620)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	18,948	4,739	(862,820)	(839,133)
FUND BALANCE - JULY 1, 2003	<u>357,331</u>	<u>168,673</u>	<u>1,060,706</u>	<u>1,586,710</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 376,279</u>	<u>\$ 173,412</u>	<u>\$ 197,886</u>	<u>\$ 747,577</u>

CITY OF ROCHESTER
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	CEMETERY FUND	DRUG LAW ENFORCEMENT FUND	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL NON-MAJOR SPECIAL REVENUE FUNDS
ASSETS				
Cash and investments	\$312,167	\$ 45,663	\$ 27,623	\$ 385,453
Loans and accounts receivable - net	-	-	-	-
Due from other funds	-	488	-	488
Prepaid expenses	<u>446</u>	<u>-</u>	<u>-</u>	<u>446</u>
TOTAL ASSETS	<u>\$312,613</u>	<u>\$ 46,151</u>	<u>\$ 27,623</u>	<u>\$ 386,387</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,608	\$ 6,500	\$ -	\$ 10,108
Accrued payroll	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,608</u>	<u>6,500</u>	<u>-</u>	<u>10,108</u>
FUND BALANCES				
Reserved	274,859	-	-	274,859
Unreserved	<u>34,146</u>	<u>39,651</u>	<u>27,623</u>	<u>101,420</u>
TOTAL FUND BALANCES	<u>309,005</u>	<u>39,651</u>	<u>27,623</u>	<u>376,279</u>
TOTAL LIABILITIES				
AND FUND BALANCES	<u>\$312,613</u>	<u>\$ 46,151</u>	<u>\$ 27,623</u>	<u>\$ 386,387</u>

CITY OF ROCHESTER
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004

	CEMETERY FUND	DRUG LAW ENFORCEMENT FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	TOTAL NON-MAJOR SPECIAL REVENUE FUND
REVENUES				
Sales and services	\$ 42,846	\$ 6,445	\$ -	\$ 49,291
Intergovernmental revenue	-	-	29,620	29,620
Interest income	3,124	421	79	3,624
Miscellaneous	<u>437</u>	<u>-</u>	<u>-</u>	<u>437</u>
TOTAL REVENUES	<u>46,407</u>	<u>6,866</u>	<u>29,699</u>	<u>82,972</u>
EXPENDITURES				
Administrative	124,404	-	-	124,404
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>124,404</u>	<u>-</u>	<u>-</u>	<u>124,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,997)	6,866	29,699	(41,432)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	-	-	90,000
Transfers out	<u>-</u>	<u>-</u>	<u>(29,620)</u>	<u>(29,620)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	12,003	6,866	79	18,948
FUND BALANCE - JULY 1, 2003	<u>297,002</u>	<u>32,785</u>	<u>27,544</u>	<u>357,331</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 309,005</u>	<u>\$ 39,651</u>	<u>\$ 27,623</u>	<u>\$ 376,279</u>

CITY OF ROCHESTER
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	1996 HIGHWAY FUND BONDS	1994 GENERAL OBLIGATION BONDS	1991 LIMITED TAX DEVELOPMENT BONDS	1990 LIMITED TAX DEVELOPMENT BONDS	1996 LIMITED TAX DEVELOPMENT BONDS	2001 GENERAL OBLIGATION BONDS	TOTAL NON - MAJOR DEBT SERVICE FUNDS
ASSETS							
Cash	\$ 15,350	\$ 94,843	\$ 18,486	\$ 15,534	\$ 11,941	\$ 16,256	\$ 172,410
Due from other funds	-	-	-	-	-	-	-
Taxes receivable - net	-	899	-	-	-	103	1,002
TOTAL ASSETS	<u>\$ 15,350</u>	<u>\$ 95,742</u>	<u>\$ 18,486</u>	<u>\$ 15,534</u>	<u>\$ 11,941</u>	<u>\$ 16,359</u>	<u>\$ 173,412</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES							
Reserved	<u>15,350</u>	<u>95,742</u>	<u>18,486</u>	<u>15,534</u>	<u>11,941</u>	<u>16,359</u>	<u>173,412</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,350</u>	<u>\$ 95,742</u>	<u>\$ 18,486</u>	<u>\$ 15,534</u>	<u>\$ 11,941</u>	<u>\$ 16,359</u>	<u>\$ 173,412</u>

CITY OF ROCHESTER
NON-MAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS AND
CHANGES IN FUND BALANCE
YEAR END JUNE 30, 2004

	1996 HIGHWAY FUND BONDS	1994 GENERAL OBLIGATION BONDS	1991 LIMITED TAX DEVELOPMENT BONDS	1990 LIMITED TAX DEVELOPMENT BONDS	1996 LIMITED TAX DEVELOPMENT BONDS	2001 GENERAL OBLIGATION BONDS	TOTAL NON - MAJOR DEBT SERVICE FUNDS
REVENUES							
Taxes	\$ -	\$ 261,609	\$ -	\$ -	\$ -	\$ 136,780	\$ 398,389
Interest income	-	353	13	4	-	152	522
TOTAL REVENUES	-	261,962	13	4	-	136,932	398,911
EXPENDITURES							
Principal on bonds	50,000	150,000	-	-	380,000	50,000	630,000
Interest on bonds	26,263	119,200	25,000	20,000	112,305	73,825	376,593
Paying agency fees	437	750	750	750	302	300	3,289
Miscellaneous	-	58	-	-	-	-	58
TOTAL EXPENDITURES	76,700	270,008	25,750	20,750	492,607	124,125	1,009,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,700)	(8,046)	(25,737)	(20,746)	(492,607)	12,807	(611,029)
OTHER FINANCING SOURCES (USES)							
Transfers In	76,663	-	25,750	20,750	492,605	-	615,768
Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(37)	(8,046)	13	4	(2)	12,807	4,739
FUND BALANCE - JULY 1, 2003	15,387	103,788	18,473	15,530	11,943	3,552	168,673
FUND BALANCE - JUNE 30, 2004	\$ 15,350	\$ 95,742	\$ 18,486	\$ 15,534	\$ 11,941	\$ 16,359	\$ 173,412

**CITY OF ROCHESTER
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

	FIRE EQUIPMENT RESERVE	1996 CONSTRUCTION FUND	OPC CONSTRUCTION FUND	TOTAL NON - MAJOR CAPITAL PROJECTS FUNDS
ASSETS				
Cash and investments	\$ 196,681	\$ 71	\$ 1,134	\$ 197,886
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 196,681</u>	<u>\$ 71</u>	<u>\$ 1,134</u>	<u>\$ 197,886</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved	<u>196,681</u>	<u>71</u>	<u>1,134</u>	<u>197,886</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 196,681</u>	<u>\$ 71</u>	<u>\$ 1,134</u>	<u>\$ 197,886</u>

CITY OF ROCHESTER
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS AND
CHANGES IN FUND BALANCE
YEAR END JUNE 30, 2004

	FIRE EQUIPMENT RESERVE	1996 CONSTRUCTION FUND	OPC CONSTRUCTION FUND	TOTAL NON - MAJOR CAPITAL PROJECTS FUNDS
REVENUES				
Interest income	\$ 1,977	\$ 1	\$ 22,321	\$ 24,299
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,977</u>	<u>1</u>	<u>22,321</u>	<u>\$ 24,299</u>
EXPENDITURES				
Capital outlay	25,405	-	876,714	\$ 902,119
Administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>25,405</u>	<u>-</u>	<u>876,714</u>	<u>902,119</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,428)	1	(854,393)	(877,820)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	15,000	-	-	15,000
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(8,428)	1	(854,393)	(862,820)
UNAPPROPRIATED FUND BALANCE - JULY 1, 2003	<u>205,109</u>	<u>70</u>	<u>855,527</u>	<u>1,060,706</u>
UNAPPROPRIATED FUND BALANCE - JUNE 30, 2004	<u>\$ 196,681</u>	<u>\$ 71</u>	<u>\$ 1,134</u>	<u>\$ 197,886</u>